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Before the
Federal Communications Commission
Washington, DC 20554

APR 12 1996

In the Matter of
Federal-State Board on
Universal Service

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CC Docket No. 96-45

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Comments of the Telecommunications Industry Association

The Telecommunications Industry Association ("TIA") hereby comments on the Notice of Proposed Rulemaking ("Notice") in the above-captioned proceeding, CC Docket No. 96-45, released March 8, 1996. The TIA has a membership of nearly 600 companies which manufacture and provide communications and information technology equipment, products, systems, distribution services and professional services throughout the world.

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The primary purpose of the Telecommunications Act of 1996 ("1996 Act") is to "accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition."¹ The TIA believes that competition will be the most effective driver of advanced communications and information technologies. In response to competitive pressures, communications service providers will deploy the infrastructure capable of delivering the highest quality and most affordable advanced services in order to attract and retain customers. Accordingly, market forces will ensure that most Americans will gain access to the advanced communications and information technologies that are the goal of the 1996 Act

Unfortunately, there may occasionally be instances in which distributional problems may arise. With respect to communications services, this might mean that low-income consumers and those in rural, insular, and high-cost areas might not be afforded access to the advanced

¹S. Rep. 230, 104th Congress, 1st Session 1 (1995).

communications and information technologies that the majority of subscribers enjoy. In these cases, there may be a social policy rationale for utilizing certain “universal service” mechanisms to ensure that low-income consumers and consumers in rural, insular and high-cost areas are able to access advanced communications capabilities.²

Moreover, while competitive forces will eventually drive the deployment of advanced infrastructure to most consumers, the TIA recognizes that policy makers should place a special emphasis on immediate access to advanced infrastructure by schools, libraries and health care providers. In the near-term, these entities can play a key role in connecting people and public institutions to advanced communications capabilities, while competition is allowed to continue to drive advanced capabilities directly to the individual subscriber. The 1996 Act clearly provides for immediate preferential access to “advanced services” for schools, libraries and health care providers, utilizing “universal service” mechanisms.

The TIA urges the Commission, however, not to confuse the universal service-related goal for “advanced telecommunications services for schools, health care and libraries” as defined under Section 254 of the 1996 Act, with the pro-competitive goal of “advanced telecommunications incentives” as outlined in Section 706 of the 1996 Act. Section 254 relies on the use of universal service tools, which may include some type of subsidy mechanism, to “to enhance ... access to advanced telecommunications and information services” to public institutions. In contrast, Section 706 seeks the use of pro-competitive, deregulatory mechanisms, *i.e.*, the removal of barriers to infrastructure investment, price cap regulation, regulatory forbearance, and other measures that promote competition, to promote investment in advanced infrastructure. The

²However, if it is determined, as a matter of public policy, that financial support is required to assist those who cannot afford access, such support should not take the form of indirect subsidies or payments to service providers. Such subsidies impose hidden costs on taxpayers and/or other service subscribers, and may diminish competition and create market distortions. Instead, universal access to services may be more properly and efficiently supported by direct payments to identified users, who can then determine which services most appropriately fit their respective needs. See EIA/TIA White Paper on Global Information Infrastructure: Principles and Promise, July/August 1995, p. 19.

two provisions have very different goals and call for the use of very different means to achieve the goals.

Because Sections 254 and 706 of the 1996 Act are distinct and unrelated, the TIA recommends that the inquiry and data collection undertaken pursuant to Section 254 (regarding the availability of “advanced telecommunications and information services for all public and non-profit elementary and secondary school classrooms, health care providers, and libraries”) remain separate and distinct from the pro-competitive, deregulatory inquiry envisioned under Section 706.

Respectfully submitted,

Telecommunications Industry Association

A handwritten signature in cursive script, reading "Jot D. Carpenter, Jr.", is written over a horizontal line.

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